

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 SS-15 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 USIA-06 AID-05

DHA-02 ORM-01 FDRE-00 IO-10 AF-06 OPIC-03 OMB-01 EB-07

COME-00 TRSE-00 /094 R

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P R 251601Z SEP 75

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS PRIORITY

AMEMBASSY ROME PRIORITY

INFO AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY PARIS

AMEMBASSY LUXEMBOURG

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

C O N F I D E N T I A L STATE 228779

E.O. 11652:GDS

TAGS: EEC, EAID, PO, IT

SUBJECT:AID TO PORTUGAL

REF: EC BRUSSELS 08386

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1. WE UNDERSTAND THAT THE EC COMMISSION'S PROPOSALS FOR COMMUNITY AID TO PORTUGAL ARE IN FINAL STAGES OF DISCUSSION AND ARE TO BE PRESENTED TO EC FOREIGN MINISTERS' COUNCIL OCTOBER 6-7 IN LUXEMBOURG. IN THIS CONNECTION, THE US IS PREPARING AN AID PACKAGE, INCLUDING ASSISTANCE TO RETURNEES FROM ANGOLA, WHICH IT IS ANTICIPATED WILL BE SUBMITTED SHORTLY TO THE CONGRESS. CONGRESSIONAL SUPPORT FOR SUCH AID IS BUILDING RAPIDLY.

2. WE WISH TO REMAIN IN CLOSE TOUCH WITH EC ON QUESTION OF AID TO PORTUGAL AND BELIEVE IT WOULD BE USEFUL TO HAVE AN EARLY EXCHANGE OF VIEWS ON PORTUGAL'S ECONOMIC NEEDS AND WHAT US AND EC COULD DO TO ASSIST. WE WOULD HOPE TO BE IN A POSITION TO BEGIN SUCH AN EXCHANGE AS SOON AS US AID PACKAGE IS FIRM.

3. ACCORDINGLY, USEC AND EMBASSY ROME ARE REQUESTED, WITH EC COMMISSION AND ITALIANS IN PRESIDENCY ROLE RESPECTIVELY, TO INFORM THEM THAT US IS DEVELOPING AID PACKAGE INCLUDING ANGOLA REFUGEE ASSISTANCE AND TO EXPRESS US DESIRE FOR AN EARLY EXCHANGE OF VIEWS ON ECONOMIC ASSISTANCE TO PORTUGAL. WITH REGARD TO TIMING, YOU SHOULD INDICATE THAT WE WOULD LOOK FORWARD TO SUCH CONSULTATIONS WHEN DETAILS OF US AID PACKAGE, WHICH IT IS ANTICIPATED WILL BE SUBMITTED TO CONGRESS SHORTLY, ARE CLARIFIED. YOU SHOULD UNDERSCORE POLITICAL SIGNIFICANCE OF WESTERN ASSISTANCE TO NEW PORTUGUESE GOVERNMENT, WHICH APPEARS TO REPRESENT IMPORTANT STEP TOWARD EMERGENCE OF A WESTERN-ORIENTED PLURALISTIC SOCIETY IN PORTUGAL, AND KEY ROLE OF COMMUNITY IN SUCH ASSISTANCE.

4. FYI ONLY: WE EXPECT US AID PACKAGE TO GO TO OMB WITHIN A WEEK, AND TO GO FROM WHITE HOUSE TO CONGRESS (AS AN ADD-ON TO MIDDLE EAST SUPPORTING ASSISTANCE PACKAGE) AS SOON AS CONGRESS ACTS ON THE SINAI SURVEILLANCE ISSUE. WE PLAN TO BEGIN CONSULTATIONS WITH PORTUGUESE EARLY NEXT WEEK REGARDING THEIR RETURNEE ASSISTANCE PROGRAMS TO WHICH WE MIGHT CONTRIBUTE. PROPOSED US PACKAGE CONSISTS OF THREE ELEMENTS: (A) \$35 MILLION RETURNEE ASSISTANCE GRANT ON WHICH WE HOPE DISBURSEMENTS

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COULD BEGIN NO LATER THAN DECEMBER; (B) \$20 MILLION LONG-TERM PROJECT ASSISTANCE WHICH WE MIGHT START DISCUSSING WITH GOP LATE THIS YEAR OR EARLY NEXT YEAR; AND (C) PL 480 TITLE I LOAN OF \$15 - 20 MILLION. IN ADDITION, OUR TOTAL CONTRIBUTION-IN-KIND TO THE ANGOLA AIRLIFT COULD REACH \$20 MILLION. WE EXPECT TO AUTHORIZE RELEASE OF THIS INFORMATION TO EC ON A CONFIDENTIAL BASIS AS SOON AS PACKAGE GOES TO OMB. END FYI.

5. YOU MAY INFORM EC NOW THAT THE \$20 MILLION IN US PRIVATE FUNDS GUARANTEED BY A.I.D. FOR LOW-COST HOUSING UNDER THE FY 1975 PROGRAM SHOULD START TO BE DISBURSED IN PORTUGAL IN OCTOBER - NOVEMBER, WITH HELPFUL IMPACT ON PORTUGAL'S POLITICALLY-SENSITIVE AND REFUGEE-INFLATED UNEMPLOYMENT PROBLEM. KISSINGER

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